


Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: November 29, 2012

SUBJECT: Revised Fiscal Impact Statement – “Howard Town Center Real Property Tax Abatement Act of 2012”

REFERENCE: Bill 19-1010 – Revised Draft Committee Print, shared with the Office of Revenue Analysis on November 27, 2012

This fiscal impact statement reflects the changes made in the Revised Draft Committee Print, and replaces the statement issued on November 26, 2012.

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

Background

The bill would exempt the property located at Lots 930 and 933 in Square 2877 from real property tax beginning at occupancy (which is expected to occur in FY 2015) and continuing for 10 years, subject to an annual limit of \$1.1 million and an overall abatement value of \$11 million. The property is owned by Howard University and has been ground-leased for development to a joint venture partnership. The planned development, to be called Howard Town Center, will include 445 rental apartments, approximately 74,000 square feet of retail space including a full-service grocery store, and 320 underground parking spaces. Eighty percent of the apartments will be leased at market rates, while 20 percent will be designated as affordable units for persons earning up to 50 percent of Area Median Income. To maintain its abatement, the project must continually meet five criteria:

1. Remain a mixed-use development;
2. Comply with District small business subcontracting and First Source regulations;
3. Give preference to District residents for at least 51 percent of the construction hours for the development project;

4. Give preference to District residents for at least 51 percent of permanent jobs in the development project; and
5. Reserve all the apprenticeships in the development project for District residents.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. Assuming that the development will open as projected in FY 2015, the tax exemption will result in a reduction of revenue to the local fund of \$2,200,000 during the 4-year financial plan period, with the fiscal impact beginning in FY 2015. The below table provides detail on the fiscal impact.

Estimated Fiscal Impact of Howard Town Center Real Property Tax Abatement Act of 2012 - FY 2013 through FY 2016					
	FY 2013	FY 2014	FY 2015	FY 2016	4 Year Total
Fiscal Impact to Local Fund of Real Property Tax Exemption ¹	-	-	(\$1,100,000)	(\$1,100,000)	(\$2,200,000)

Table Notes

¹ Estimates are based on projections of development costs provided by the developer, which result in projected assessed values higher than the \$1,100,000 limit in both FY 2015 and FY 2016.

In addition, the bill will cost \$8,800,000 between FY 2017 and FY 2024. The development is estimated to reach the \$11 million exemption cap at the end of the 10-year exemption period.

Estimated Negative Fiscal Impact Outside the Financial Plan Period, FY 2017 - FY 2024		
	Estimated Annual Abatement	Cumulative Abatement Starting FY 2017
FY 2017	\$1,100,000	\$3,300,000
FY 2018	\$1,100,000	\$4,400,000
FY 2019	\$1,100,000	\$5,500,000
FY 2020	\$1,100,000	\$6,600,000
FY 2021	\$1,100,000	\$7,700,000
FY 2022	\$1,100,000	\$8,800,000
FY 2023	\$1,100,000	\$9,900,000
FY 2024	\$1,100,000	\$11,000,000

Assumptions:

- Development is completed by FY 2016.
- Assessments are based on construction costs.